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DE RUEHUM #0112/01 0520734  
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FM AMEMBASSY ULAANBAATAR  
TO RUEHC/SECSTATE WASHDC 0829  
INFO RUEHBJ/AMEMBASSY BEIJING 5421  
RUEHMO/AMEMBASSY MOSCOW 1689  
RUEHUL/AMEMBASSY SEOUL 2629  
RUEHKO/AMEMBASSY TOKYO 2375  
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SUBJECT: Third annual U.S.-Mongolia Consultations on Bilateral  
Regional, and Global Issues (CBRGI)

REF: A) Ulaanbaatar 56, B) Ulaanbaatar 089

11. (SBU) SUMMARY: The Ministry of Foreign Affairs and the United States State Department held the third annual U.S.-Mongolia Consultations on Bilateral, Regional, and Global Issues (CBRGI) on January 29 at Mongolia's Ministry of Foreign Affairs. EAP Deputy Assistant Secretary Thomas Christensen headed the American delegation while the Mongolia side was chaired by MFA State Secretary Kh. Bekhbat. Bekhbat highlighted good bilateral

SIPDIS

relations, noted Mongolia's hope for a visit to the U.S. this year by President Enkhbayar or Prime Minister Enkhbold, and noted that Vice President Cheney has an open invitation to visit Mongolia. He conveyed the text of MFA's draft "Comprehensive Partnership Framework Agreement," which Mongolia hopes to sign during a high-level Mongolian visit to the U.S. Bekhbat said that Mongolia hopes for agreement this year on a roadmap to a Free Trade Agreement (FTA). He said that Mongolia is ready to discuss a PSI shipboarding agreement with the U.S. While the length of time to reach an MCA Compact had produced frustrations, Bekhbat said, Mongolia looked forward to signing a Compact later this year. DAS Christensen also met separately with the Foreign Minister and the Vice Defense Minister, during which he conveyed the USG's request that Mongolia provide a full 8th rotation of forces for Iraq (ref A). While urging Mongolia to reconsider its decision to significantly reduce its deployment to Iraq, DAS Christensen attempted to disabuse Mongolian officials of the notion that MCA delays were related to Mongolian decisions on the Iraq deployment. END SUMMARY.

MFA Presentation  
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12. (SBU) MFA State Secretary Bekhbat opened CBRGI talks January 29 by commenting that in depth bilateral consultations were an excellent way to mark 20 years of diplomatic relations between the U.S. and Mongolia. He noted that 2006 had been an eventful year for Mongolia, with the country's 800th anniversary producing a series of high level visitors from other countries, including U.S. Agriculture Secretary Johanns leading a delegation representing President Bush.

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Despite political controversies in parliament and on the streets, Mongolia had strong economic growth, had reformed the tax structure, and promoted e-government efforts. There had been macroeconomic stability and a budget surplus. Parliament had passed a number of

significant laws, including the tax reform, which would boost the growth of legal taxpayers. Mongolia hoped that this economic success would continue.

13. (SBU) With respect to bilateral issues, Bekhbat continued, the last several years have seen unprecedented growth in bilateral relations. Today, the U.S. is an important partner in Mongolia's efforts to increase democracy and the market economy. For Mongolia, which is surrounded by two large countries -- Russia and China -- it is vitally important to have the continued support of the United States as a "third neighbor," to provide a counterbalance to these countries and to preserve Mongolia's sovereignty. Mongolia highly values its relations with the U.S., which have grown into a "comprehensive partnership." Bekhbat described Mongolia's plans for a series of events to mark the 20th year of diplomatic relations with the U.S., which had been kicked off with a seminar and a reception hosted by MFA three days earlier.

13. (SBU) Bekhbat commented that Mongolia saw the number of important bilateral visits during the last several years as an indicator of the quality and level of bilateral relations. In 2007, Mongolia hopes to have an official visit by its President or Prime Minister to the United States, perhaps in conjunction with the signing of a Millennium Challenge Account Compact. Mongolia also hoped to receive high-level U.S. delegations; Vice President Cheney, he noted, has a standing invitation, and a visit by him would give further impetus to bilateral ties. Mongolia looked forward to a visit by EAP A/S Hill.

14. (SBU) The State Secretary stated that Mongolia considered it crucial to conclude a "Comprehensive Partnership Framework Agreement." MFA staff had prepared a 5-page version of such an agreement, he said, and he passed the draft CPFA to DAS Christensen. Mongolia hopes to conclude this agreement during an upcoming high-level visit to the U.S., Bekhbat said.

15. (SBU) Another important issue, Bekhbat said, is an expansion of

ULAANBAATA 00000112 002 OF 004

trade and investment relations with the U.S. It is very important to the Mongolian government, and to Mongolia generally, to conclude an FTA with the U.S. Mongolia views FTAs as "democracy translated into the language of economy." The U.S. is a champion of free trade, and Mongolia hoped that it could count on U.S. support for an FTA. The Trade and Investment Framework Agreement (TIFA) talks (tentatively set for early March) play a vital role leading to an FTA. By later this year, Mongolia hoped for agreement on a roadmap to an FTA.

16. (SBU) Bekhbat noted that Mongolia had been selected as eligible for MCA assistance for four years in a row. Personally, he said, there had been some frustrations at the lack of a Compact. Thus, he looked forward with some optimism to a Compact. Noting that MCA Managing Director for Eurasia Frances Reid would visit later in the week, he said that Mongolia's hope is that the visit will expedite the Compact and result in an early signing.

17. (SBU) Bekhbat noted the Foreign Minister's recent letter to Secretary Rice on educational exchanges. The visit of Mongolia's

SIPDIS

Education Minister to the U.S. this year was likely to add more substance to cooperation on education.

18. (SBU) Bekhbat said that Mongolia attaches importance to cooperation with the U.S. to promote the interests of Mongolian nationals living in the U.S. Mongolia intends to issue identification cards to Mongolian living in the U.S., and to establish a Mongolian cultural center to offer cultural activities. Mongolia would be grateful if the U.S. could support these efforts.

19. (SBU) Bekhbat said that Mongolia also attaches great importance to bilateral cooperation in the military field. For three years, the Khaan Quest exercise had been successful, and Mongolia had been pleased to see the exercise expand in scale in 2006. With U.S. support, the Five Hills training center has been renovated, and the

exercise turned into a major regional event.

¶10. (SBU) The State Secretary noted that Mongolia had been consistently supportive of U.S. efforts against international terrorism, including close cooperation on peacekeeping operations in Iraq and Afghanistan. Mongolia's decision to deploy troop to Iraq and Afghanistan had not been easy for a small nation given the well-known position of its two great neighbors. Mongolia had decided not to send another full rotation of troops to Iraq after the current 7th rotation, and to send staff officers or a military training team depending on the outcome of consultations with the U.S. and Coalition forces.

¶11. (SBU) Bekhbat stated that Mongolia is keen to take part in regional integration efforts, and this process would play a critical role in Mongolia's national security. Thus, Mongolia hopes for U.S. support for APEC member status when the moratorium on new members expires this year. Mongolia believes that U.S. support will be important in view of the position of some member economies.

¶12. (SBU) With respect to the Korean peninsula, Bekhbat said, Mongolia believes it should be free of nuclear weapons, and supports the Six Party Talks on this issue. Although Mongolia is not a party to those talks, it will seek the opportunity to make contributions to calming the North Korea situation and to make contribution to the peaceful resolution of the North Korean nuclear problem, based on its friendly relations with countries of the region, including the two Koreas.

¶13. (SBU) Bekhbat noted that Mongolia had adopted in November 2005 a National Plan of Action on trafficking in persons and the sexual exploitation of women and children. While the government lacks resources, it has been working closely with NGOs with experience in this field.

¶14. (SBU) Bekhbat affirmed Mongolian support for the Proliferation Security Initiative (PSI). It had considered the issue of a shipboarding agreement, and decided to support conclusion of the pact. The government consulted with the Standing Committee on Foreign Relations of the parliament, and the government has given a green light to negotiations.

¶15. (SBU) With respect to an Open Skies Agreement, Bekhbat said, Mongolia is not yet in a position to conclude an agreement at this

ULAANBAATA 00000112 003 OF 004

time, mainly because of the pending privatization process for MIAT.

U.S. Presentation  
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¶16. (SBU) DAS Christensen opened his remarks by stating it was an honor to be in Mongolia to celebrate the 20th anniversary of the establishment of relations between our two countries and just as Mongolia was ending its own celebrations for the 800th year of the establishment of the great Mongolian state. The "third neighbor" status of the U.S. is very important to the U.S. and to President Bush. The President has fond memories of his visit in 2005.

¶17. (SBU) DAS Christensen praised bilateral cooperation on a range of issues, especially on promoting democracy around the world. Mongolia's deployments to Iraq and Afghanistan are good examples of this. The deployments to Iraq in support of Polish troops at Camp Echo are both militarily and politically useful. It is instructive and inspirational to see Poland and Mongolia, two young democracies, contributing to a new Iraq. (See Ref A.) Through the Global Peace Support Operations Initiative (GPOI), he noted, the U.S. was pleased to have provided support for the Khaan Quest exercise in 2006. He noted that Mongolia's willingness to have Khaan Quest 2007 again be the regional capstone event was vital after the military coup in Thailand made staging the exercises there impossible this year.

¶18. (SBU) As an academic himself, DAS Christensen said, he is particularly happy to note the doubling of funding for Mongolia's Fulbright program and noted that there were currently some 1,400 Mongolian exchange students in the U.S. The Peace Corps program

epitomized the strong bond of cooperation between the two countries, with over a hundred Peace Corps volunteers in Mongolia.

¶19. (SBU) DAS Christensen thanked the GOM for its cooperation on refugees. The treatment of North Korean refugees is very important to the U.S., and the U.S. is appreciative of the depth of cooperation and discretion which Mongolia has exhibited.

¶20. (SBU) With respect to the TIFA process, DAS Christensen noted, Assistant USTR Tim Stratford hoped to visit in March to lead the U.S. delegation. While there is hope that the two sides can move in the direction of an FTA, this will take time and effort. The TIFA process, rather than a burden, will benefit the both sides.

¶21. (SBU) Concerning the MCA Compact, Christensen expressed the hope that the Frances Reid visit would be helpful in moving forward toward a Compact. He noted the recent letter from Secretary Rice stating our hope for a Compact to be signed this year. Personally, he understood the frustrations, but there is a reason for the process, which helps ensure a positive agenda for the recipient countries. (See ref B.)

¶22. (SBU) DAS Christensen expressed appreciation for Mongolia's readiness to move forward with a PSI ship boarding agreement. With regard to North Korea, he said, one thing Mongolia could do is to join the international community in implementing UNSCR 1718 to ensure that money is not going to proliferators.

¶23. (SBU) Finally, with respect to the Comprehensive Partnership Agreement draft, he said that the U.S. looks forward to studying the draft and engaging with MFA. The U.S. supported a Statement of Principles, he noted.

¶24. (SBU) Ambassador Minton commented that, in addition to government-to-government engagement, people-people and private sector engagement is important. Some 140 U.S. companies are now active in Mongolia, but there is room for further development of business relations, including the engagement of large U.S. companies like Peabody in the development of Mongolia's mineral resources. Not only would this be beneficial for the people of both countries, these large companies operated under the strictures of U.S. law, and helped foster an appreciation of international business standards and would bring to Mongolia state-of-the-art technology in the development of resources. The Ambassador also expressed pleasure at the decision of the Asia Society to hold a large conference here this June.

#### Other Discussion

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ULAANBAATA 00000112 004 OF 004

¶25. (SBU) MFA Counselor Seseer noted that, regarding the refugee topic, there are really two separate issues. The first is Mongolia's policy with respect to acceding to the UN Convention on Refugees and its additional protocol. Mongolia is working on this issue, and the Ministers for Foreign Affairs and Justice and Home Affairs would soon submit it to Mongolia's National Security Council. Another issue concerned North Korean citizens who crossed the border into Mongolia. On this matter, Mongolia's ministries worked closely with counterparts, and dealt with it in accordance with international humanitarian standards. He added that this is a complicated issue because of Mongolia's geographic situation, and that the issue bears on its relations with the two Koreas and neighboring countries.

¶26. (SBU) D. Zorigt, Director of the Ministry of Industry and Trade's Policy Coordination and Strategic Planning Department, added that the upcoming TIFA talks would be the third such round. Mongolia hopes for a clearer sense of a roadmap toward an FTA. It is important for Mongolia to understand that the process is moving toward an FTA and is not indefinite, but that the two sides are making a good faith effort.

¶27. (U) The afternoon session consisted of 10-20 minute presentations, delivered by representatives from the Ministry of

Industry and Trade, the Ministry of Defense, the Ministry of Roads, Transport and Tourism; and the Ministry of Finance. Copies of the Power Point presentations were later emailed by MFA to the embassy and EAP/CM deskoff.

¶28. (SBU) During these presentations, MoIT's Zorigt again urged the U.S. to take concrete steps towards signing an FTA with Mongolia, saying it would increase the competitiveness of Mongolian products, increase the potential for more Foreign Direct Investment into Mongolia and its access to know-how, help balance out the country's trade flows (currently over 80% of exports head to China), and would be a clear sign of the U.S.'s political support for a young democracy in an area of the world otherwise unfriendly to democratic principles. O. Erdembilig from the Ministry of Finance spoke about the USAID program in Mongolia over the past 15 years describing it as "the right kind of aid" and noted that U.S. assistance to Mongolia (12% of total) was second only to Japan (47%). USAID helped to build democratic institutions and good governance, enabled private sector development, supported competitive industries, and expanded economic opportunities for marginalized Mongolians. However, he said, decreasing allocation of USAID Mongolia grant resources is a deep concern. The briefing by Kh. Boldbat from the Ministry of Defense highlighted Mongolia's provision of 894 troops in seven rotations to Iraq as well as 95 military trainers in six rotations to Afghanistan. Also of note were the recent visits of high level US military officials to Mongolia, and U.S. contributions to Mongolia's military training and education and peace support operations capacity-building. A representative from the Ministry of Road, Transport and Tourism focused his presentation on the state of Mongolia's infrastructure, especially the railroad, and the assistance an MCC Compact could bring to its development. He also touched on Mongolian plans to develop its tourism industry by building tourist infrastructure that met international standards and increase the number of American tourists from its current annual figure of just under 3,000.

Goldbeck